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6-11-10

Enclosed is a translation, prepared at the Embassy of the ~~West German~~ ~~German~~ account of the speech delivered by Vice Chancellor and Minister of Economics Egon Bahr at Strasbourg on April 22. The occasion for the speech was the presentation of the Tenth Report of the OEEC to the Consultative Assembly of the Council of Europe.

In view of the nature of the occasion it is not surprising that Bahr did not touch upon the broader political themes which have figured in many of his recent speeches. (See Embassy Report 1561 of April 15). He did, however, strongly reiterate his view that the six countries of the Common Market should not distance seal themselves off from the other Western European countries, but should press for multilateral and non-discriminatory association with them.

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Counselor of Embassy

Enclosure: 1

Translation from
~~West German~~ ~~German~~

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Article from the Jenaer Zeitung, April 23, 1959.

"H.E.T. Strasbourg, April 22. - A high point of the recent working session of the Council of Europe was undoubtedly the speech with which the German Vice-Chancellor Erhard presented the Tenth Report of the UEEC to the Consultative Assembly on Wednesday morning. Erhard referred to two important decisions which have to be made in the economic sphere: (1) What is to happen now that six European countries have founded the Common Market, and now that the negotiations for a multilateral non-discriminatory association between the 'Six' and the other Western European countries have suffered a setback? (2) How can Europe in the future ensure a smooth economic growth?

Erhard stated that in the course of the last two years economic growth in Europe had experienced a diminution. "This is the curse of the bad year. This was our fault." Europe was forced to pause in its upward economic development because this was the only way possible to surmount latent or actual problems of inflation and balance of payments resulting from faulty or mistaken action during the boom period. This forced pause had been rewarding, for Europe was today at the beginning of another expansion. Now the task was to prevent a repetition of the old mistakes, that is, to prevent an inflationary development.

Although Europe had not succeeded in assuming its proper or adequate position within the framework of the world economy, many encouraging aspects, nevertheless, to be noted. Even though the economic methods which were applied left much to be desired, much better results had been achieved with these methods as regards both the expansion of production and the stability of prices, than had been achieved in the ~~preceding~~ past. Almost all countries had been able to restore in the main the disturbed equilibrium of the balance of payments without taking recourse to quantitative restrictions as regards imports. As compared with the growth in the United States the increase in the productivity and the rise in the standard of living were even very considerable.

Erhard said that, as he had predicted, the economic recession in America had had virtually no detrimental repercussions upon the European economy. Although exports to the United States had declined, no crisis in confidence had arisen which might have started speculative capital movements. The infamous "dollar gap" had disappeared. If the European governments avoided making demands which could not be met on the commodity side, one could confidently look into the future.

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The German Vice-Chancellor then expressed his satisfaction over the convertibility of currencies and declared that the resulting higher degree of interconnection required a still closer and more careful coordination of the economic policy of the West European countries. "Genuine European economic policy for preventing economic prosperity was necessary. In view of its broad basis OME would appear to be the only suitable organization for carrying on generally binding negotiations. The recommendations of OME to the member states should be more concrete and specific, and it ought to be more carefully and effectively considered whether the recommendations are complied with. The most urgent task in connection with the European policy after guaranteeing economic prosperity was to guarantee a general and sound economic growth. Retzius expressed the expectation that Europe was standing at the threshold of a new and inflationary expansion. A pre-emptive or decisive importance for sound economic growth was the avoidance of "inflation of the center" in the connection the dangers of exaggerated wage and salary demands as the cause of an inflationary development were to be noted.

Finally, Retzius referred to the problem of the free trade area. It would be disastrous if uncertainty continued to exist regarding the final results of the negotiations and regarding the kind of agreement which should lead to an association of the "eleven" with the "twelve". Retzius declared his opposition to the objectives and purposes of the Common Market with its firm tie and mutual obligation. But on this shall we and may not lead to a division of Europe. I say finally and firmly, looking at the matter from the point of view of the OME, that it is of primary importance for all countries bound to it to organization to think the way to independently fixing forms and to mutually binding themselves of cooperation. All Retzius is for everybody a virtue that cannot be lost."

In this personal appeal, Retzius added the admonition not to reduce into the size of the past and not to cook salvation in a nationalist and protectionist policy and in cartel agreements.

TRANSLATION SERVICE/EXTRADITION

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